

# Capital allocation and non-cooperative behavior in diversified firms

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## **Capital Allocation and Non-Cooperative Behavior in Diversified Firms**

Julius André

*Maastricht, 29<sup>th</sup> of April 2011*

1. Firm-wide equity incentives can improve the efficiency of capital allocation in diversified firms. (Chapter 2)
2. Division managers that lobby for an increase in their compensation alternatively also accept higher capital allocations to their division. (Chapter 2)
3. Repartitioning investment decision rights among division managers can reduce non-cooperative behavior that harms the efficient internal allocation of funds. (Chapter 3)
4. Division managers use renegotiations of budgets for multi-period investment projects to obtain more funds when projects are controlled less. (Chapter 4)
5. Refuting a theoretical model on the grounds of being too abstract is very frequently a lame excuse for one's inability to translate the model's implications into an actual setting.
6. The fact that a host of economic allocation problems are caused by information asymmetries shows that information technology still has a very long way to go.
7. The mechanics of non-cooperative behavior between individual divisions in budgeting situations analyzed in this dissertation can also be applied to federal forms of governmental organizations such as the EU. Unfortunately, incentive contracts for politicians to stimulate cooperation are not readily available.
8. Lobbying is the first step towards corruption. *Yasser Mohy El-Din*
9. Experts that claim to foresee economic crises are like typographic errors in dissertations: They only reveal themselves after the fact, when it is already too late.